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FOWLER PUBLIC SCHOOLS
FOWLER, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2008

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TABLE OF
CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3a - 3i
BASIC FINANCIAL STATEMENTS	
DISTRICT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	4
STATEMENT OF ACTIVITIES	5
FUND FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS:	
BALANCE SHEET	6
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS	7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	8
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	9
FIDUCIARY FUND:	
STATEMENT OF FIDUCIARY NET ASSETS	10
NOTES TO FINANCIAL STATEMENTS	11 - 22
REQUIRED SUPPLEMENTAL INFORMATION	
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	23

TABLE OF
CONTENTS

	<u>PAGE</u>
OTHER SUPPLEMENTAL INFORMATION	
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	24
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS	25
DETAIL OF LONG-TERM DEBT	26
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	27 - 28



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INDEPENDENT AUDITORS' REPORT

October 2, 2008

To the Board of Education
Fowler Public Schools
Fowler, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fowler Public Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fowler Public Schools, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 2, 2008 on our consideration of Fowler Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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WEINLANDER FITZHUGH

To the Board of Education
Fowler Public Schools
October 2, 2008

The management's discussion and analysis and budgetary comparison as listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fowler Public Schools' basic financial statements. The combining and individual non-major fund financial statements and debt schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

FOWLER PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Our discussion and analysis of the Fowler Public School's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2008.

Financial Highlights

The School District's net assets increased by \$102,000 or 6%. Program revenues were \$550,000 or 10% of total revenues, and general revenues were \$4,294,000 or 90%.

The General Fund reported a positive fund balance of \$424,000.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Fowler Public Schools financially as a whole. The District-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

FOWLER PUBLIC SCHOOLS

Management's Discussion & Analysis

For the Year Ended June 30, 2008

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the School District's finances is, "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector businesses. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net assets as a way to measure the School District's financial position. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

FOWLER PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Fiduciary Funds

The School District is the trustee, or fiduciary, for its student activity funds and scholarship funds. All of the School District's fiduciary activities are reported in separate Statement of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

District-wide Financial Analysis

The statement of net assets provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net assets as of June 30, 2008 and 2007:

Exhibit A

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Assets		
Current and other assets	\$ 1,559,000	\$ 976,000
Capital assets - net of accumulated depreciation	<u>2,279,000</u>	<u>2,446,000</u>
Total assets	<u>3,838,000</u>	<u>3,422,000</u>
Liabilities		
Current liabilities	1,100,000	606,000
Long-term liabilities	<u>1,012,000</u>	<u>1,192,000</u>
Total liabilities	<u>2,112,000</u>	<u>1,798,000</u>
Net Assets		
Invested in property and equipment - net of related debt	1,227,000	1,232,000
Restricted	95,000	93,000
Unrestricted	<u>404,000</u>	<u>299,000</u>
Total net assets	<u>\$ 1,726,000</u>	<u>\$ 1,624,000</u>

Exhibit A above focuses on net assets of the School District. The School District's net assets were \$1,726,000 at June 30, 2008. Capital assets, net of related debt, totaling \$1,227,000 compares the original costs, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets of \$95,000 are reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use those net assets for day-to-day operations.

FOWLER PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

The \$404,000 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the summarized statement of activities (Exhibit B), which shows the changes in net assets for the years ended June 30, 2008 and 2007.

Exhibit B

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Revenue		
Program revenue:		
Charges for services	\$ 220,000	\$ 219,000
Grants and categoricals	330,000	380,000
General revenue:		
Property taxes	413,000	335,000
State foundation allowance	3,840,000	3,673,000
Other	41,000	42,000
Total revenue	<u>4,844,000</u>	<u>4,649,000</u>
Function/Program Expenses		
Instruction	2,919,000	2,720,000
Support services	1,235,000	1,423,000
Community services	20,000	31,000
Food services	153,000	141,000
Athletics	159,000	153,000
Interest on long-term debt	75,000	58,000
Depreciation (unallocated)	181,000	179,000
Total expenses	<u>4,742,000</u>	<u>4,705,000</u>
Increase (Decrease) in Net Assets	<u><u>\$ 102,000</u></u>	<u><u>\$ (56,000)</u></u>

FOWLER PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

As reported in the statement of activities, the cost of all of our governmental activities this year was \$4,742,000. Certain activities were partially funded from those who benefited from the programs (\$220,000) or by the other governments and organizations that subsidized certain programs with grants and categoricals (\$330,000). We paid for the remaining "public benefit" portion of our governmental activities with \$413,000 in taxes, \$3,840,000 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets of \$102,000. Key reasons for the increase in net assets were from decreases in a broad range of expenditures. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The School District's Funds

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

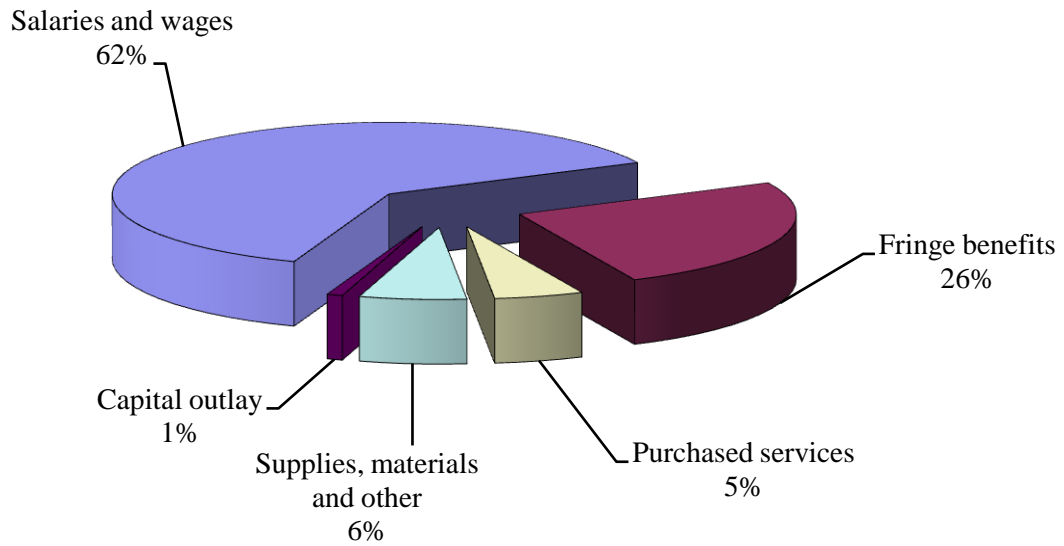
The School District's governmental funds reported a combined fund balance of \$644,000 which is above last year's total of \$540,000. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 424,000	\$ 414,000	\$ 10,000
Special Revenue	45,000	33,000	12,000
Debt Service	95,000	93,000	2,000
Capital Projects	80,000	0	80,000
Total	<u>\$ 644,000</u>	<u>\$ 540,000</u>	<u>\$ 104,000</u>

- The General Fund increase is attributable to a decrease in expenditures from administrative salaries and fringe benefits.
- The Special Revenue Funds increase in fund balance reflects the increase in revenues in the Athletics Fund which was mostly from the result of charging students to pay for participating in sports.
- The Debt Service Funds increase in fund balance was minor and it reflects that revenues were greater than expenditures.
- The Capital Projects fund is a new fund this year and it was set up to record the transactions related to maintenance projects which are funded by the school's sinking fund.

FOWLER PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

As the graph below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



	2008	2007	Percentage Change
<i>General Fund Expenditures by Object</i>			
Salaries and wages	\$ 2,700,000	\$ 2,616,000	3.0%
Fringe benefits	1,103,000	1,159,000	-5.0%
Purchased services	226,000	375,000	-40.0%
Supplies, materials and other	271,000	217,000	25.0%
Capital outlay	40,000	89,000	-55.0%
Total	<u>\$ 4,340,000</u>	<u>\$ 4,456,000</u>	<u>-3.0%</u>

Expenditures are down \$116,000 or 3% over the prior year mostly due to a decrease in administrative salaries and wages, fringe benefits, and capital outlay. The decrease in salaries and fringe benefits was related to the district consolidating four administrative positions into two (a loss of 2 FTE's). The decrease in capital outlay is primarily the result of the district not purchasing any new buses or vehicles for the 2007-08 school year.

FOWLER PUBLIC SCHOOLS

Management's Discussion & Analysis

For the Year Ended June 30, 2008

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- The overall change in budgeted revenues increased by approximately \$104,000 was the result of changes from the local and state categories, the major category being the state. The district budgeted for no increase in student enrollment and no increase in aid for the 2007-08 proposed budget. After the fourth Friday count in September, records indicated an increase in student enrollment. In addition, a \$94.00 increase per pupil was added to our aid.
- Budgeted expenditures were increased by \$24,000 due to minor increases to a wide range of expenditures. The overall change was immaterial.
- Variances between the final budget and actual amounts are reflected in Note 2 in the notes to the financial statements.

Capital Assets

At June 30, 2008, the School District had \$2.3 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions and disposals) of approximately \$100,000 or 7%, from last year.

	<u>2008</u>	<u>2007</u>
Land	\$ 50,000	\$ 50,000
Buildings	4,607,000	4,593,000
Equipment	1,051,000	1,051,000
Transportation equipment	<u>474,000</u>	<u>474,000</u>
Total capital assets	6,182,000	6,168,000
Less accumulated depreciation	<u>3,903,000</u>	<u>3,722,000</u>
Net capital assets	<u><u>\$ 2,279,000</u></u>	<u><u>\$ 2,446,000</u></u>

This year's additions of \$14,000 included the purchase of new milk coolers, repairs to the parking lot and the construction of a roof.

FOWLER PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Debt

At the end of this year, the School District had \$1 million in bonds and notes outstanding versus \$1.2 million in the previous year – a change of 13%.

	<u>2008</u>	<u>2007</u>
Bonds and notes	<u>\$ 1,044,000</u>	<u>\$ 1,205,000</u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

Factors Expected to have an Effect on Future Operations

For the 2007-08 school year Fowler Schools consolidated four administrative positions into two positions. The district combined the high school principal position and the superintendent position as well as the building and grounds supervision and the transportation supervision. Additionally, the district shares a food service supervisor with a neighboring district and also contracts the school bus fleet maintenance with another district. The force behind these efforts was to maintain the district's fund balance and to avoid layoffs for teachers, support and extracurricular staff; layoffs that indeed would have affected the children of the district. With a less than optimistic economic outlook for the State of Michigan over the next two years, the district will continue to have difficult budgetary choices before them. In addition, the 2007-2008 enrollment rose slightly thus helping to stabilize the district's finances. However, a projected decline in student population, a trend being felt statewide, will put the district in a situation to make additional cuts to staff and programs. It will be important for the district to plan for low foundation increases and declining enrollment in the years to come.

The instability of state funding continues to threaten the K-12 educational programs and in doing so, schools are forced to make tough decisions with key areas such as counseling, library services, contracting food service and custodial resources as well as transportation. The aforementioned items may not affect the overall curriculum that is taught in the classroom, but does affect the overall education, safety and security that each child deserves. Unless Michigan legislatures take action to provide consistent funding increases for schools or takes bold action to control retirement and health insurance costs, Fowler and most other school districts will continue to utilize their declining fund balance that will have a significant impact on the educational programs the district can afford to offer.

FOWLER PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2008

Requests For Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
Fowler Public Schools
11214 West Kent Street
Fowler, MI 48835

FOWLER PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 822,288
Receivables:	
Due from other governmental units	714,276
Inventory	21,997
Capital assets less accumulated depreciation of \$3,902,838	<u>2,279,586</u>
Total assets	<u>3,838,147</u>
<u>Liabilities</u>	
Accounts payable	368,909
Note payable	500,000
Accrued payroll and other liabilities	45,825
Accrued interest payable	9,130
Long-term liabilities:	
Due within one year	176,107
Due in more than one year	<u>1,012,432</u>
Total liabilities	<u>2,112,403</u>
<u>Net Assets</u>	
Investment in capital assets - net of related debt	1,226,917
Restricted for debt service	94,848
Unrestricted	<u>403,979</u>
Total net assets	<u><u>\$ 1,725,744</u></u>

See accompanying notes to financial statements.

FOWLER PUBLIC SCHOOLS
Statement of Activities
For the Year Ended June 30, 2008

	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants/Contributions	Activities
				Net (Expense) Revenue and Changes in Net Assets
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 2,919,034	\$ 32,918	\$ 280,797	\$ (2,605,319)
Support services	1,234,712	11,317	0	(1,223,395)
Community services	20,434	0	0	(20,434)
Food services	153,446	109,210	49,526	5,290
Athletics	158,651	66,371	0	(92,280)
Interest on long-term debt	74,975	0	0	(74,975)
Depreciation (unallocated)	180,675	0	0	(180,675)
Total governmental activities	<u>\$ 4,741,927</u>	<u>\$ 219,816</u>	<u>\$ 330,323</u>	<u>(4,191,788)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				137,953
Property taxes, levied for debt services				194,442
Property taxes, levied for capital projects				80,183
State aid not restricted to specific purposes				3,839,973
Interest and investment earnings				20,175
Other				21,019
Total general revenues				<u>4,293,745</u>
Change in net assets				101,957
Net assets - beginning of year				<u>1,623,787</u>
Net assets - end of year				<u>\$ 1,725,744</u>

See accompanying notes to financial statements.

FOWLER PUBLIC SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2008

	General	Other Nonmajor Governmental Funds	Total
<u>ASSETS</u>			
Cash and investments	\$ 603,003	\$ 219,285	\$ 822,288
Receivables:			
Due from other governmental units	714,276	0	714,276
Due from other funds	3,292	0	3,292
Inventory	18,316	3,681	21,997
Total assets	<u>\$ 1,338,887</u>	<u>\$ 222,966</u>	<u>\$ 1,561,853</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>Liabilities</u>			
Accounts payable	\$ 368,909	\$ 0	\$ 368,909
Note payable	500,000	0	500,000
Accrued payroll and other liabilities	45,825	0	45,825
Due to other funds	0	3,292	3,292
Total liabilities	<u>914,734</u>	<u>3,292</u>	<u>918,026</u>
<u>Fund Balance</u>			
Reserved for inventory	18,316	3,681	21,997
Reserved for debt service	0	94,848	94,848
Unreserved	405,837	121,145	526,982
Total fund balance	<u>424,153</u>	<u>219,674</u>	<u>643,827</u>
Total liabilities and fund balance	<u>\$ 1,338,887</u>	<u>\$ 222,966</u>	<u>\$ 1,561,853</u>

See accompanying notes to financial statements.

FOWLER PUBLIC SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008

Total fund balance - governmental funds	\$ 643,827
Amounts reported for governmental activities in the statements of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of the capital assets	6,182,424
Accumulated depreciation	(3,902,838)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(1,043,539)
Compensated absences	(145,000)
Accrued interest payable is not included as a liability in governmental activities	<u>(9,130)</u>
Total net assets - governmental activities	<u><u>\$ 1,725,744</u></u>

See accompanying notes to financial statements.

FOWLER PUBLIC SCHOOLS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008

	General	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>			
Local sources:			
Property taxes	\$ 137,953	\$ 194,442	\$ 332,395
Other	83,340	257,852	341,192
State sources	3,924,621	7,183	3,931,804
Federal sources	83,208	42,344	125,552
Interdistrict sources	112,941	0	112,941
	<u>4,342,063</u>	<u>501,821</u>	<u>4,843,884</u>
<u>Expenditures</u>			
Current:			
Instruction	2,931,661	0	2,931,661
Support services	1,234,712	0	1,234,712
Community services	20,434	0	20,434
Food service	0	157,927	157,927
Athletics	0	158,651	158,651
Debt service:			
Principal	20,000	141,860	161,860
Interest	21,530	53,366	74,896
	<u>4,228,337</u>	<u>511,804</u>	<u>4,740,141</u>
Excess (deficiency) of revenues over expenditures	<u>113,726</u>	<u>(9,983)</u>	<u>103,743</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers in from other funds	7,500	111,499	118,999
Operating transfers out to other funds	(111,499)	(7,500)	(118,999)
	<u>(103,999)</u>	<u>103,999</u>	<u>0</u>
Net change in fund balance	9,727	94,016	103,743
Fund balance - beginning of year	414,426	125,658	540,084
Fund balance - end of year	<u><u>\$ 424,153</u></u>	<u><u>\$ 219,674</u></u>	<u><u>\$ 643,827</u></u>

See accompanying notes to financial statements.

FOWLER PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balance - total governmental funds	\$ 103,743
Amounts reported for governmental activities in the statements of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(180,675)
Capital outlay	14,108
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets	
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(79)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	161,860
Decreases in compensated absences are reported as a reduction to expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6.	<u>3,000</u>
Change in net assets of governmental activities	<u><u>\$ 101,957</u></u>

See accompanying notes to financial statements.

FOWLER PUBLIC SCHOOLS
Statement of Fiduciary Net Assets
June 30, 2008

		Student Activity Fund
	<u>ASSETS</u>	
Cash and investments		<u>\$ 91,180</u>
	<u>LIABILITIES</u>	
Due to student groups		<u>\$ 91,180</u>

See accompanying notes to financial statements.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fowler Public Schools (School District) conform to U.S. generally accepted accounting principles applicable to governments. The School District is considered to be a local government unit. The following is a summary of the significant accounting policies:

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Statements – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental fund:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds”. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds”.

Inventory and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 to 50 years
Buses and other vehicles	8 years
Furniture and equipment	5 to 20 years

Compensated Absences – The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method in which sick leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes – For Fowler Public Schools’ taxpayers, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

State Aid – For the fiscal year ended June 30, 2008, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the average pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2007 – August 2008. The local revenue is recognized as outlined in Note 1 Basis of Accounting. Amounts receivable from the State of Michigan at June 30, 2008 relating to state aid is \$714,276.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 2 - BUDGETARY POLICIES AND DATA

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Fowler Public Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

During the year ended June 30, 2008, the School District incurred revenues and expenditures in certain budgetary funds that were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total Budgeted Amount</u>	<u>Actual Amount</u>	<u>Budget Variance</u>
General Fund:			
<u>Revenue</u>			
State sources	\$ 3,927,462	\$ 3,924,621	\$ (2,841)
Interdistrict sources	115,000	112,941	(2,059)
<u>Expenditures</u>			
Supporting services:			
Transportation	\$ 179,280	\$ 186,380	\$ (7,100)
Other supporting services	45,520	74,370	(28,850)
Other financing uses:			
Operating transfers out	109,662	111,499	(1,837)

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	<u>\$ 822,288</u>	<u>\$ 91,180</u>	<u>\$ 913,468</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 382,235
Investments in interlocal agreement investment pools (i.e. MILAF with a weighted average maturity not to exceed 60 days).	531,205
Petty cash and cash on hand	<u>28</u>
Total	<u>\$ 913,468</u>

Interest Rate Risk

In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the School District's investment in the pool was rated AAAm by Standard & Poor's, indicating excellent safety.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2008, \$186,715 of the School District's bank balance of \$386,715 was exposed to custodial credit risk because it was uninsured.

NOTE 4 – CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Assets not being depreciated:				
Land	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Capital assets being depreciated:				
Buildings and improvements	4,592,766	14,108	0	4,606,874
Buses and other vehicles	473,880	0	0	473,880
Furniture and equipment	1,051,670	0	0	1,051,670
Subtotal	6,118,316	14,108	0	6,132,424
Accumulated depreciation:				
Buildings and improvements	2,883,413	96,518	0	2,979,931
Buses and other vehicles	349,902	25,448	0	375,350
Furniture and equipment	488,848	58,709	0	547,557
Subtotal	3,722,163	180,675	0	3,902,838
Net capital assets being depreciated	2,396,153	(166,567)	0	2,229,586
Net capital assets	<u>\$ 2,446,153</u>	<u>\$ (166,567)</u>	<u>\$ 0</u>	<u>\$ 2,279,586</u>

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation for the fiscal year ended June 30, 2008 amounted to \$180,675. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

A summary of balances and transfers made during the year ended June 30, 2008 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 7,500	\$ 111,499	\$ 3,292	\$ 0
Special revenue:				
Cafeteria	0	0	0	3,292
Athletics	111,499	7,500	0	0
	<u>\$ 118,999</u>	<u>\$ 118,999</u>	<u>\$ 3,292</u>	<u>\$ 3,292</u>

Transfers and balances are used to reflect funding support for athletic salaries and benefits and also to cover expenses in the cafeteria fund.

NOTE 6 – RECEIVABLES

Receivables at June 30, 2008 consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivable (due from other governmental units) follows:

State aid	<u>\$ 714,276</u>
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FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 7 - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the School District for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements and Payments	Balance June 30, 2008	Amount Due Within One Year
Bonds and notes payable	\$ 1,205,399	\$ 0	\$ 161,860	\$ 1,043,539	\$ 176,107
Compensated absences	148,000	0	3,000	145,000	0
Total	<u>\$ 1,353,399</u>	<u>\$ 0</u>	<u>\$ 164,860</u>	<u>\$ 1,188,539</u>	<u>\$ 176,107</u>

Bonds and notes payable at June 30, 2008 are comprised of the following issues:

\$1,960,000, 1998 School Building and Site bonds due in annual installments of \$100,000 to \$175,000 through May 1, 2014; interest at 4.5% to 4.6%.	\$ 1,020,000
\$10,521, John Deere note payable due in annual installments of \$1,684 to \$2,432 through December 1, 2010; interest at 8.9%.	4,484
\$59,055, Citizens Bank note payable due in annual installments of \$19,055 to \$20,000 through June 1, 2009; interest at 4.9%.	<u>19,055</u>
Total bonds payable	<u>\$ 1,043,539</u>

Under the terms of the present contracts between the Fowler Public Schools Board of Education and the various employee associations, the School District is contingently liable for unused sick days. Each employee may accumulate various numbers of sick days and it must be paid to them upon retirement. The School District has also entered into a voluntary severance plan with certain School District employees. At June 30, 2008, the unused sick days and voluntary severance has been reflected in the district-wide financial statements in the amount of \$145,000.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 7 – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the bonds and notes outstanding as of June 30, 2008, including interest payments, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	176,107	48,051	224,158
2010	172,432	40,002	212,434
2011	170,000	31,970	201,970
2012	175,000	24,150	199,150
2013	175,000	16,100	191,100
2014-17	<u>175,000</u>	<u>8,050</u>	<u>183,050</u>
	<u>\$ 1,043,539</u>	<u>\$ 168,323</u>	<u>\$ 1,211,862</u>

NOTE 8 – SHORT-TERM DEBT ACTIVITY

The School District issues state aid anticipation note in advance of State of Michigan state aid payments, depositing the proceeds in its general fund. These notes are necessary because the School District's cash flow obligation to operating expenses precede the collection of state aid.

	<u>Beginning</u> <u>Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending</u> <u>Balance</u>
State Aid Anticipation Note	<u>\$ 52,359</u>	<u>\$ 500,000</u>	<u>\$ 52,359</u>	<u>\$ 500,000</u>

NOTE 9 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 17.74% for the period from July 1, 2007 to September 30, 2008 and 16.72% for the period from October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3% to 4.3% of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2008, 2007, and 2006 were \$424,627, \$455,271 and \$394,894, respectively.

Postemployment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

FOWLER PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 11 - GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

NOTE 12 - ECONOMIC DEPENDENCY

The School District received approximately 90% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

NOTE 13 - BOND AND SINKING FUND COMPLIANCE

In 2007, the district passed a sinking fund levy at 1.0 mills for five years. The activity related to the sinking fund is recorded in the Capital Projects Fund. The assets, liabilities, revenues and expenditures are included in the School District's basic financial statements for the year ended June 30, 2008.

For this fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

FOWLER PUBLIC SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual
<u>Revenues</u>			
Local sources	\$ 199,984	\$ 206,084	\$ 221,293
State sources	3,821,995	3,927,462	3,924,621
Federal sources	88,435	80,442	83,208
Interdistrict sources	115,000	115,000	112,941
Total revenues	4,225,414	4,328,988	4,342,063
<u>Expenditures</u>			
Instruction:			
Basic programs	2,472,939	2,583,031	2,578,101
Added needs	346,539	357,272	353,560
Support services:			
Pupil	108,751	109,047	107,791
Instructional staff	126,677	78,375	73,201
General administration	211,860	203,941	203,856
School administration	314,860	265,622	256,219
Operations and maintenance	362,565	367,011	353,005
Transportation	180,790	179,280	186,380
Information services	21,695	21,695	21,420
Other supporting services	38,650	45,520	74,370
Community services	22,592	21,227	20,434
Total expenditures	4,207,918	4,232,021	4,228,337
Excess of revenues over expenditures	17,496	96,967	113,726
<u>Other Financing Sources (Uses)</u>			
Operating transfers in from other funds	7,500	7,500	7,500
Operating transfers out to other funds	(109,662)	(109,662)	(111,499)
Total other financing sources (uses)	(102,162)	(102,162)	(103,999)
Net change in fund balance	(84,666)	(5,195)	9,727
Fund balance - beginning of year	414,426	414,426	414,426
Fund balance - end of year	\$ 329,760	\$ 409,231	\$ 424,153

FOWLER PUBLIC SCHOOLS
 Other Supplemental Information
 Combining Balance Sheet
 Nonmajor Governmental Funds
June 30, 2008

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
	<u>Cafeteria</u>	<u>Athletics</u>	<u>1998 Issue</u>	<u>Sinking Fund</u>	<u>Totals</u>
<u>ASSETS</u>					
Cash and investments	\$ 488	\$ 43,605	\$ 94,848	\$ 80,344	\$ 219,285
Inventory	3,681	0	0	0	3,681
Total assets	<u>\$ 4,169</u>	<u>\$ 43,605</u>	<u>\$ 94,848</u>	<u>\$ 80,344</u>	<u>\$ 222,966</u>
<u>LIABILITIES</u>					
Due to other funds	<u>\$ 3,292</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,292</u>
<u>FUND BALANCE</u>					
Reserved for inventory	3,681	0	0	0	3,681
Reserved for debt service	0	0	94,848	0	94,848
Unreserved:					
Undesignated	<u>(2,804)</u>	<u>43,605</u>	<u>0</u>	<u>80,344</u>	<u>121,145</u>
Total fund balance	<u>877</u>	<u>43,605</u>	<u>94,848</u>	<u>80,344</u>	<u>219,674</u>
Total liabilities and fund balance	<u>\$ 4,169</u>	<u>\$ 43,605</u>	<u>\$ 94,848</u>	<u>\$ 80,344</u>	<u>\$ 222,966</u>

FOWLER PUBLIC SCHOOLS
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes
in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	
	Cafeteria	Athletics	1998 Issue	Sinking Fund	Totals
<u>Revenues</u>					
Local sources:					
Property taxes	\$ 0	\$ 0	\$ 194,442	\$ 0	\$ 194,442
Other	109,277	67,441	790	80,344	257,852
State sources	7,183	0	0	0	7,183
Federal sources	42,344	0	0	0	42,344
	<u>158,804</u>	<u>67,441</u>	<u>195,232</u>	<u>80,344</u>	<u>501,821</u>
Total revenues					
<u>Expenditures</u>					
Current:					
Food service	157,927	0	0	0	157,927
Athletics	0	158,651	0	0	158,651
Debt service:					
Principal	0	1,860	140,000	0	141,860
Interest	0	0	53,366	0	53,366
	<u>157,927</u>	<u>160,511</u>	<u>193,366</u>	<u>0</u>	<u>511,804</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>877</u>	<u>(93,070)</u>	<u>1,866</u>	<u>80,344</u>	<u>(9,983)</u>
<u>Other Financing Sources</u>					
Operating transfers in from other funds	0	111,499	0	0	111,499
Operating transfers out to other funds	0	(7,500)	0	0	(7,500)
	<u>0</u>	<u>103,999</u>	<u>0</u>	<u>0</u>	<u>103,999</u>
Total other financing sources					
Net change in fund balance	877	10,929	1,866	80,344	94,016
Fund balance - beginning of year	0	32,676	92,982	0	125,658
Fund balance - end of year	<u>\$ 877</u>	<u>\$ 43,605</u>	<u>\$ 94,848</u>	<u>\$ 80,344</u>	<u>\$ 219,674</u>

FOWLER PUBLIC SCHOOLS
Detail of Long-Term Debt
June 30, 2008

<u>Maturity Date</u>	<u>Percent of Interest Rate</u>	<u>Principal Outstanding July 1, 2007</u>	<u>Principal Additions</u>	<u>Principal Retired</u>	<u>Principal Outstanding June 30, 2008</u>	<u>Annual Interest Payment</u>	<u>Total Annual Payment</u>
1998 Issue							
Fiscal Year:							
2008	4.5	\$ 140,000	\$ 0	\$ (140,000)	\$ 0	\$ 0	\$ 0
2009	4.5	155,000	0	0	155,000	46,765	201,765
2010	4.6	170,000	0	0	170,000	39,790	209,790
2011	4.6	170,000	0	0	170,000	31,970	201,970
2012	4.6	175,000	0	0	175,000	24,150	199,150
2013 - 2014	4.6	350,000	0	0	350,000	24,150	374,150
Total 1998 issue		<u>1,160,000</u>	<u>0</u>	<u>(140,000)</u>	<u>1,020,000</u>	<u>166,825</u>	<u>1,186,825</u>
2006 John Deere							
Fiscal Year:							
2008	8.9	1,860	0	(1,860)	0	0	0
2009	8.9	2,052	0	0	2,052	405	2,457
2010	8.9	2,432	0	0	2,432	212	2,644
Total		<u>6,344</u>	<u>0</u>	<u>(1,860)</u>	<u>4,484</u>	<u>617</u>	<u>5,101</u>
2007 School Bus							
Fiscal Year:							
2008	4.9	20,000	0	(20,000)	0	0	0
2009	4.9	19,055	0	0	19,055	881	19,936
Total		<u>39,055</u>	<u>0</u>	<u>(20,000)</u>	<u>19,055</u>	<u>881</u>	<u>19,936</u>
Total all Issues		<u>\$ 1,205,399</u>	<u>\$ 0</u>	<u>\$ (161,860)</u>	<u>\$ 1,043,539</u>	<u>\$ 168,323</u>	<u>\$ 1,211,862</u>



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October 2, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Fowler Public Schools
Fowler, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fowler Public Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 2, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fowler Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fowler Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fowler Public Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Fowler Public Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Schools' financial statements that is more than

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Board of Education
Fowler Public Schools
October 2, 2008

inconsequential will not be prevented or detected by the Fowler Public School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by Fowler Public Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fowler Public Schools' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, Board of Education, others within the entity and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Weinlander Fitzhugh



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October 2, 2008

To the Board of Education
Fowler Public Schools
Fowler, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fowler Public Schools for the year ended June 30, 2008 and have issued our report thereon dated Date#. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards and Governmental Auditing Standards

As stated in our engagement letter dated July 15, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Fowler Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Fowler Public Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on July 15, 2008.

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To the Board of Education
Fowler Public Schools
October 2, 2008
Page 2

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Fowler Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of depreciation is based on the estimated useful life of fixed assets. We evaluated the key factors and assumptions used to develop the estimated useful life of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.



WEINLANDER FITZHUGH

To the Board of Education
Fowler Public Schools
October 2, 2008
Page 3

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated Date#.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education, management and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

Weinlander Fitzhugh